

IRS News Release

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IRS Defers Schedule M-3 Planned Effective Date for Insurance Corporations

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WASHINGTON — The Internal Revenue Service announced today that it is deferring the planned effective date of Schedule M-3 reporting for life, property and casualty insurance companies that file Forms 1120L and 1120PC. Schedule M-3, filed in conjunction with income tax returns by certain large and mid-size corporations to reconcile net income, will be required for 1120L and 1120PC filings for tax years ending on or after December 31, 2006. Previously, the IRS planned to require Schedule M-3 for these filings for tax years ending on or after December 31, 2005.

Schedule M-3, "Net Income (Loss) Reconciliation for Corporations with Total Assets of \$10 Million or More," is used by corporations that file Form 1120 to reconcile their financial accounting income to their taxable income. Corporations filing Form 1120 started using Schedule M-3 for tax periods ending on or after December 31, 2004. The IRS had planned to implement the use of Schedules M-3 for other types of entities this year and next.

"Postponing M-3 implementation relieves burden on these affected corporate taxpayers that are currently faced with a number of other challenges and requirements," said Deborah M. Nolan, Commissioner of the IRS's Large and Mid-size Business Division. "Taxpayers will then have ample time to provide input and comment, and prepare their accounting systems for the requirements of Schedule M-3 that will be implemented next year."

The IRS and the U.S. Department of the Treasury expect to release drafts of the Schedule M-3 for Form 1120L and 1120PC soon.

Later this year, the IRS will also release drafts of Schedule M-3 for taxpayers that file Form 1120S and partnerships that file Form 1065, for public comment and input. Schedule M-3 for these taxpayers will go into effect, as planned, for tax periods ending on or after December 31, 2006.

Information about Schedule M-3 is available in the business / corporations section of IRS.gov. At that site, taxpayers may also subscribe to a new e-mail service that automatically delivers Schedule M-3 and related news to subscribers.